

SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



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Room 112

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3340 California Conservation Corps

The corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects that conserve and enhance the state's natural resources and environment. The corps is headquartered in Sacramento and operates 13 residential base centers, 1 nonresidential service district, and more than 30 nonresidential satellite centers in urban and rural areas. The corps also develops and provides funding for eleven community conservation corps in neighborhoods with large concentrations of minority youth and high youth unemployment.

The budget proposes total expenditures of \$83.8 million (\$53.5 million , General Fund), a decrease of \$9.3 million (10 percent) from the current-year budget.

Conservation Corps Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Training and Work Program	92,555	93,147	83,826	(9,321)	10.0
Administration	8,027	7,939	8,139	200	2.5
Distributed Administration	-8,027	-7,939	-8,139	(200)	2.5
Total	92,555	93,147	83,826	(9,321)	10.0

Budget Requests

Staff Recommendation: No issues have been raised with the department's budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3480 Department of Conservation

This department protects public health and safety, ensures environmental quality, and supports the State's long-term viability in the use of California's earth resources. The department provides education and dissemination of information concerning agricultural and open space lands and soils, beverage container recycling, geology and seismology, and mineral, geothermal, and petroleum resources.

The budget proposes total expenditures of \$529.4 million (\$21.8 million, General Fund), a decrease of \$18.6 million (3.4 percent) from the current-year budget.

Department of Conservation Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Geologic Hazards and Mineral Resources Conservation	22,240	25,913	25,363	(550)	2.1
Oil, Gas, and Geothermal Resources	12,438	13,098	13,805	707	5.4
Land Resource Protection	15,111	14,099	8,872	(5,227)	37.1
Administration	7,440	11,940	9,389	(2,551)	21.4
Distributed Administration	(7,440)	(11,940)	(9,389)	2,551	21.4
Beverage Container Recycling and Litter Reduction Program	481,732	494,970	481,412	(13,558)	2.7
Total	531,521	548,080	529,452	(18,628)	3.4

Issues

Abandoned Mine Remediation

Background: The budget proposes \$250,000 for the department's continuing efforts to map and identify abandoned mines. Over the past 6 six years the Department has spent \$2 million to map abandoned mines. The Department has identified approximately 1,000 mines, and estimates there are 40,000 abandoned mines in the state. Senate Bill 666 (Sher), Chapter 713, Statutes of 2000, authorizes the Department to establish an abandoned mine reclamation program. There are no proposals for abandoned mine remediation efforts in the budget-year.

Issue: Last year the Legislature approved \$200,000 (General Fund) for abandoned mine remediation, however the item was vetoed from the budget act. The Governor states in his veto message that it is premature to begin remediation efforts until the department completes its inventory of abandoned mines. Additionally, the department and the Department of Finance indicate the Administration's reluctance to pursue remediation efforts due to the lack of resources to begin cleanup efforts across the state.

Staff Recommendation: The subcommittee may wish to consider deleting \$250,000 (Surface Mining and Reclamation Account) for abandoned mine mapping, and appropriating these funds for abandoned mine remediation efforts.

Action:

Beverage Container Recycling Fund

Background: The Beverage Container Recycling Program seeks to encourage the voluntary recycling of beverage containers by guaranteeing a minimum payment (California Redemption Value, or CRV) for each container returned to certified recycling centers. Distributors of beverages subject to the program pay the CRV (currently 2.5 cents for most containers) into the Beverage Container Recycling Fund (BCRF), which is maintained by the department. Distributors typically pass the cost of the CRV along to retailers who in turn charge the CRV to consumers. Consumers can recoup the CRV at any certified recycling center when they return their empty containers.

In addition to maintaining the BCRF, the department enforces program requirements, certifies and audits recyclers and processors, calculates recycling costs and associated fees, encourages the development of markets for recycled materials, and awards grants to public and private groups that promote recycling.

Issue: The budget proposes a \$218 million loan to the General Fund from the Beverage Container Recycling Fund. The BCRF is projected to have a fund balance of \$25 million, a reduction of \$165.7 million from the current-year. The Administration has proposed budget bill language to repay the loan with interest, however a repayment date has not been specified. Earlier this year the subcommittee approved the Administration's proposal to loan \$672 million to the General Fund from the Traffic Congestion Relief Fund (TCRF), and loan \$474 million from the State Highway Account to the TCRF. For both proposals the Administration provided date-certain repayment of the loans. The Department of Finance argues that a repayment date may limit the flexibility to the General Fund.

Staff Recommendation: The subcommittee may wish to consider the following options:

1. Withhold action on the Administration's proposal.
2. Approve the \$218 million loan from the BCRF, and the following budget bill language:

3480-011-0133

The transfer made by this item is a loan to the General Fund. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer. It is the intent of the Legislature that the repayment be made so as to ensure that the programs supported by this fund are not adversely affected by the loan.

All loans from the Beverage Container Recycling Fund shall be repaid no later than June 30, 2009.

Action:

Other Budget Requests

Staff Recommendation: No other issues have been raised with the department's budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3540 Department of Forestry and Fire Protection

The department, under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by the state or local agencies. In addition, the department (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

The Office of the State Marshal was consolidated into the department in September 1995. The office is responsible for protecting life and property from fire through the development and application of fire prevention engineering, enforcement and education regulations.

The budget proposes total expenditures of \$498.2 million (\$311 million, General Fund), a decrease of \$150 million (23.1 percent) from the current-year budget.

Department of Forestry and Fire Protection Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Office of the State Fire Marshal	11,879	14,401	15,316	915	6.4
Fire Protection	542,911	583,756	438,501	(145,255)	24.9
Resources Management	40,143	49,661	44,046	(5,615)	11.3
Administration	47,357	49,368	48,547	(821)	1.7
Distributed Administration	(47,050)	(49,061)	(48,240)	821	1.7
Total	595,240	648,125	498,170	(149,955)	23.1

Issues

State Responsibility Area Cost Shift with Local Government

Issue: The budget proposes \$20 million in reimbursement authority for state responsibility area (SRA) fire suppression costs. At the time this analysis was prepared, the department had not provided a budget change proposal for this item. The Administration has requested the subcommittee withhold action pending the completion of the proposal.

LAO Recommendation: The LAO recommends the Legislature withhold approval for this item until the department provides a detailed proposal.

Staff Recommendation: Although the proposal will provide \$20 million in ongoing relief for the General Fund, staff recommends the subcommittee take no action on the SRA proposal until the Administration provides a detailed plan for increasing reimbursements.

Action:

Elimination of Emergency Fire Suppression Fund (E-Fund)

Background: The department proposes budget bill language that authorizes the Director of Finance to appropriate additional revenues for emergency fire suppression costs. The proposal requires the department to provide quarterly reports on fire suppression activities to the Legislature.

Issue: The department is proposing to eliminate General Fund support for emergency fire suppression activities in the budget act. The department acknowledges additional funds will be needed for emergency fire suppression, however the budget proposal will technically not appropriate funding for the program. Instead of providing funds in the budget act, the proposal will allow the department and the Department of Finance to budget on a cash flow basis. Under the current structure, the department receives an annual appropriation (\$45 million in the current-year) for emergency fires suppression costs. The LAO estimates that the annual costs over the past ten years is \$70.5 million. When the costs are greater than the funding provided in the department's budget, the department is forced to pursue a deficiency request via the Section 27.0 process. The department argues that the Section 27.0 process creates cash-flow problems and hinders the department's ability to pay its vendors.

LAO Recommendation: The LAO recommends the Legislature provide a more realistic budget for emergency fire suppression. The LAO has identified various options to help generate additional revenues to help pay for fire suppression costs. Staff recommends the subcommittee take no action on the LAO options until the department provides its SRA proposal in May.

The LAO also recommends the Legislature not approve the department's proposed budget bill language allowing the Director of Finance to approve deficiency expenditures because the proposal weakens Legislative oversight. In response the department's concerns over cash-flow problems and on-time payment to vendors, the Analyst recommends authorizing short-term loans from the General Fund.

Staff Recommendation: Although the department will provide quarterly reports to the Legislature on program activities, Legislative oversight will be significantly weakened through this proposal. Staff recommends the subcommittee not approve the department's proposed budget bill language.

Action:

Timber Harvest Plan Review

Issues: The budget proposes \$22.1 million (\$21.5 million, General Fund) for review and enforcement of timber harvest plans (THPs). The LAO recommends imposing fees on timber operators to cover the costs incurred by state agencies in their review and enforcement of timber harvest plans.

Background: Timber harvest plans are reviewed by the Department of Forestry and Fire Protection, the Department of Fish and Game, the Department of Conservation, and the Water Resources Control Board. The Department of Forestry and Fire Protection is ultimately responsible for approving THPs.

LAO Recommendation: The LAO argues that fees levied on timber operators should cover the costs to review and enforce THPs. The LAO believes there is a direct link between THP review, and businesses who benefit through harvesting of timber. The LAO recommends the Legislature adopt the "polluter pays" principle. In this case timber harvesters who benefit from using public resources should be responsible for paying the costs imposed on society to regulate such activities.

Staff Recommendation: The subcommittee may wish to direct staff to develop a timber harvest fee proposal in time for the subcommittee hearing on May 23.

Action:

Other Budget Requests

Staff Recommendation: No issues have been raised with the department's other budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3600 Department of Fish and Game

The department administers programs and enforces laws pertaining to the fish and wildlife resources of the state. The Fish and Game Commission sets policies to guide the department in its activities, and regulates the sport taking of fish and game. The department manages approximately 160 ecological reserves, wildlife management areas, habitat conservation areas, and interior and coastal wetlands throughout the state.

The budget proposes total expenditures of \$253.1 million (\$56.8 million, General Fund), a decrease of \$19.1 million (7 percent) from the current-year budget.

Department of Fish and Game Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Biodiversity Conservation Program	118,646	101,707	93,763	(7,944)	7.8
Hunting, Fishing, and Public Use	36,523	47,521	43,676	(3,845)	8.1
Management of Department Lands and Facilities	50,470	45,320	40,938	(4,382)	9.7
Conservation Education and Enforcement	48,829	52,144	50,021	(2,123)	4.1
Spill Prevention and Response	23,518	25,424	24,705	(719)	2.8
Administration	34,279	33,898	31,474	(2,424)	7.2
Distributed Administration	(34,279)	(33,898)	(31,474)	2,424	7.2
Total	277,986	272,116	253,103	(19,013)	7.0

Issue

California Environmental Quality Act Review (CEQA)

Issue: The budget proposes a \$2.1 million reduction for the department's review of CEQA documents.

Background: The Department of Fish and Game holds the state's fish and wildlife resources in trust for the people of California. The California Environmental Quality Act requires agencies approving projects to notify and consult with the department, and requires agencies to send their environmental documents to the department for review and comment.

Due to years of chronic underfunding, the department reviewed only 10 percent of the CEQA documents it received. During subcommittee hearings on the 2000-01 proposed budget, the subcommittee approved 14 positions and \$1.5 million for CEQA review. As part of the Legislature's efforts to improve the department's ability to fulfill its statutory mandates, the Legislature ultimately approved \$2.1 million (ongoing) and redirected 25 positions for CEQA review efforts. The intent of the augmentation was to achieve a 40 percent review rate of CEQA documents.

Issue: Since the Legislature's augmentation in the 2000-01 budget-year, the department estimates it reviews 38 percent of all CEQA documents received. However, the department states in its budget proposal that it will revert back to the 10 percent review rate as a result of the General Fund reduction.

LAO Recommendation: The Legislative Analyst does not have a recommendation on the budget request, but the analyst identifies potential funding sources for the Legislature to consider to maintain the current level of funding for CEQA review.

Chapter 1706, Statutes of 1990 requires the department to collect environmental filing fees for projects subject to CEQA. Statute establishes the amount of the fee paid to DFG (either \$850 or \$1,250) based on the type of CEQA document prepared for the project (Fees are paid to the locals at the time of filing the final CEQA documents).

The LAO argues that additional revenue could be generated for CEQA review by improving the structure and administration of the environmental filing fees. The LAO believes that the current fee structure is not equitable because project proponents are required to pay the same fee regardless of the project's size and environmental impact. The discrepancy in the fee structure may result in lead agencies trying to fit a project within the fee exemption, despite the project requiring a fee as defined by statute. To the extent that lead agencies are granting exemptions when they should not, the department is not collecting the fees required by statute. The LAO believes a more equitable fee structure may result in fewer exemptions and more revenue for the department.

Staff Recommendation: Staff recommends the subcommittee deny the department's \$2.1 million reduction for CEQA review, and direct staff to provide an alternative funding option at the subcommittee hearing on May 9.

Action:

Other Budget Requests

Staff Recommendation: No other issues have been raised with the department's budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3680 Department of Boating and Waterways

This department seeks to develop and improve boating facilities in California, to promote boating safety, and to conduct a statewide beach erosion control program. The department primarily (1) constructs boating facilities for the state park system and State Water Project reservoirs, (2) makes loans to marina operators to finance the development of small craft harbors and marinas, and (3) makes grants to local agencies to finance boat launching facilities, boating safety and enforcement programs, and beach erosion control projects.

The Budget proposes total expenditures of \$78.9 million (\$0, General Fund), a decrease of \$10.4 million (11.7 percent) from the current-year budget.

Department of Boating and Waterways Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Boating Facilities	49,234	72,874	56,517	(16,357)	22.4
Boating Operations	14,945	15,554	15,613	59	0.4
Beach Erosion Control	11,106	832	6,730	5,898	708.9
Administration	1,968	2,109	2,168	59	2.8
Distributed Administration	(1,968)	(2,109)	(2,168)	(59)	2.8
Total	75,285	89,260	78,860	(10,400)	11.7

Issue

Harbors and Watercraft Fund Transfer

Issue: The budget proposes a \$26.6 million transfer to the State Parks and Recreation Fund from revenues generated by the Motor Vehicle Fuel Account-Transportation Tax Fund that are deposited in the Harbors and Watercraft Fund. The current-year budget provides an \$11.6 million transfer from the Harbors and Watercraft Fund, and the budget proposes an additional \$15 million.

The Department of Parks and Recreation has not provided the Legislature with a needs assessment for the additional \$15 million from the Harbors and Watercraft Fund. Additionally, staff have not had the opportunity to determine the effects of the proposal on programs/projects funded by the Harbors & Watercraft fund.

Staff Recommendation: Staff recommends the subcommittee hold the item open pending further information from the Department of Boating and Waterways on the affects this proposal will have on the boating public.

Action:

Other Budget Requests

Staff Recommendation: No issues have been raised with the department's budget request. Staff recommends the subcommittee approve as budgeted.

3790 Department of Parks and Recreation

The department acquires, develops, preserves, interprets, and manages the natural, cultural, and recreational resources in the state park system. In addition, the department administers state and federal grants to cities, counties, and special districts that help provide parks and open-space areas throughout the state.

The budget proposes total expenditures of \$316.4 million (\$112.3 million, General Fund), a decrease of \$832.1 million (72.5 percent) from the current-year budget. The decrease in spending is attributable to reductions in Proposition 12 bond funds (\$679.5 million) and the General Fund (\$123.1 million).

Department of Parks and Recreation Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
State Operations					
Resource Protection	30,807	36,444	35,002	(1,442)	4.0
Education/Interpretation	24,784	29,320	28,160	(1,160)	4.0
Facilities	148,820	183,454	110,796	(72,658)	39.6
Public Safety	50,263	59,462	57,109	(2,353)	4.0
Recreation	32,660	38,636	37,107	(1,529)	4.0
<i>Subtotal</i>	<i>287,334</i>	<i>347,316</i>	<i>268,174</i>	<i>(79,142)</i>	<i>22.8</i>
Local Assistance					
OHV Grants	12,613	28,709	17,600	(11,109)	38.7
Recreational Grants	134,710	754,219	29,707	(724,512)	96.1
Historic Preservation Grants	595	18,172	875	(17,297)	95.2
<i>Subtotal</i>	<i>147,918</i>	<i>801,100</i>	<i>48,182</i>	<i>(752,918)</i>	<i>94.0</i>
Total	435,252	1,148,416	316,356	(832,060)	72.5

Issue

Land Acquisitions and Operating Costs

Background: The department acquires land for the purposes of expanding state parks or acquiring new state parks. Since the 2000-01 budget-year, the LAO estimates the department has increased its land holdings by more than 75,000 acres and will spend approximately \$328 million on land acquisitions. The increase is attributable to land acquisition funding provided in Proposition 12 (approximately \$502 million).

As part of LAO's review of the department's recent acquisitions, the Analyst argues that many acquisitions will require additional development to (1) provide reasonable access to the acquisition and/or (2) develop the acquisition to achieve its intended purpose for use. As part of their report, the LAO determines the following:

- Development costs are mostly unfunded

- Operating costs of expanded and new parks have not been provided, nor identified
- The existing planning process does not provide for sufficient fiscal oversight of future costs

LAO Recommendation: The Analyst recommends the following supplemental report language requiring the department to prepare a funding plan for its recent land acquisitions.

The Department of Parks and Recreation shall submit a report to the Legislature by March 1, 2003 that includes the following:

1. *An assessment of the potential costs to develop each land acquisition acquired in 2000-01 and 2001-02 to its intended use and an estimate of the ongoing operations and maintenance costs of each acquisition.*
2. *An identification of potential funding sources to pay for the development and operating costs, and the department's plan for which funding sources it will seek.*

The LAO also proposes policy changes for the Legislature to consider, including:

- Require DPR to Submit Funding Plan for Future Costs With Budget Proposal
- Require DPR to Set Aside Bond Funds for Future Development of Bond-Funded Acquisitions
- Require DPR to Submit Funding Plan for Discretionary Acquisitions
- Require General Plans for Parks to Be Approved by DOF
- Set Limits in Future Bond Measures on New Acquisitions

Although these recommendations have merit, they may be premature until the Legislature has the department's needs assessment.

Staff Recommendation: Staff recommends the subcommittee approve the LAO's proposed supplemental report language.

Action:

Other Budget Requests

Staff Recommendation: No other issues have been raised with the department's budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3860 Department of Water Resources

The department is responsible for developing and managing California's water through the implementation of the State Water Resources Development System, including the State Water Project. It also maintains the public safety and prevents damage through flood control operations, supervision of dams, and safe drinking water projects.

The budget proposes total expenditures of \$5.93 billion (\$107.5 million, General Fund), a decrease of \$2.5 billion (30.1 percent) from the current-year budget. The reduction in spending is attributable to a reduction for the DWR Electric Power Fund (\$2.5 billion)

Department of Water Resources Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Continuing Formulation of the California Water Plan	260,657	345,725	318,090	(27,635)	8.0
CALFED Bay-Delta Program	147,918	94,008	153,596	59,588	63.4
Implementation of the State Water Resources Development System	890,741	243,024	245,610	2,586	1.1
Public Safety and Prevention of Damage	209,158	139,774	56,428	(83,346)	59.6
Services	2,889	4,957	4,985	28	0.6
California Energy Resources Scheduling	7,292,994	7,656,770	5,155,309	(2,501,461)	32.7
Management and Administration	92,437	78,627	77,403	(1,224)	1.6
Distributed Management and Administration	-92,437	-78,166	-77,403	763	1.0
Loan Repayment Program	-4,880	-4,013	-4,013	0	0.0
Total	8,799,477	8,480,706	5,930,005	(2,550,701)	30.1

Issues

Budget Requests

Staff recommendation: No issues have been raised with the department's budget requests. Staff recommends the subcommittee approve as budgeted, but withhold approval for the California Energy Resources Scheduling (CERS) request pending the subcommittee's energy hearing later this month.

Action:

3870 CALFED Bay-Delta Program

On August 28, 2000, with the signing of the Record of Decision (ROD) for the Final Programmatic Environmental Impact Statement/ Report (EIS/ EIR), California and the federal government announced a commitment to move forward with implementation of the CALFED Bay- Delta Program. The ROD and Final EIS/ EIR established the framework for implementation of a thirty year program which includes eleven elements: ecosystem restoration, water quality, Delta levees, watershed management, water storage, water transfers, water use efficiency, Delta water conveyance, a science element and an Environmental Water Account for water purchases. Year 1 of implementation began in FY 2000– 01 with the signing of the ROD. Oversight and coordination of the CALFED Program will continue to be provided by State and federal staff which are currently funded in the Department of Water Resources and the U. S. Bureau of Reclamation.

CALFED Agencies

<i>State</i>	<i>Federal</i>
Department of Fish and Game	US Environmental Protection Agency
Department of Water Resources	US Army Corps of Engineers
State Reclamation Board	Bureau of Reclamation
State Water Resources Control Board	US Geological Survey
Secretary for Environmental Protection	Fish and Wildlife Service
Secretary for Resources	National Marine Fisheries Service
Delta Protection Commission	Bureau of Land Management
Department of Food and Agriculture	Natural Resources Conservation Service
San Francisco Bay Conservation and Development Commission	US Forest Service
	Western Area Power Administration

Th budget proposes total expenditures of \$519.2 million for the CALFED Bay-Delta program, an decrease of \$148.1 million (22.2 percent) from the current-year budget.

CALFED Funding Sources

Funding Source	<i>(dollars in thousands)</i>			Change	Percent Change
	2000-01	2001-02	2002-03		
General Fund	167,398	57,375	\$58,862	1,487	2.6%
Prop 204	10,808	179,470	154,746	-24,724	13.8%
Prop 13	180,042	226,777	161,185	-65,592	-28.9%
Other State Funds	23,714	93,458	43,358	-50,100	53.6%
Federal Funds	59,665	110,306	-	-	-
Prop 40	-	-	101,000	101,000	100%
Total	\$441,627	\$667,386	\$519,251	-\$148,135	-22.2%

Issue

Environmental Water Account (EWA)

Background: The environmental water account (EWA) is a water management strategy designed to address two problems--declining fish and wildlife populations and unreliable water supplies. The purpose of the EWA is to increase the reliability of water supplies to urban and agricultural users while assuring that sufficient water will be available for the protection and recovery of endangered and threatened species in the Bay-Delta. The EWA would accomplish this by making available a supply of water that can be used for fish protection, on an as needed basis. The EWA's goal is to reduce the potential for additional restrictions on state and federal water projects in future years that might curtail water deliveries to agricultural and urban users. CALFED estimates costs of \$200 million for the EWA for the first four years of implementation.

The budget proposes \$29.2 million for the EWA program. Of this amount, approximately \$29 million is for DWR and \$160,000 is for the Department of Fish and Game.

(Dollars in thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$163
DWR	Prop 204 & General Fund	\$28,233 (Prop 204) \$623 (GF)
DFG	General Fund	\$160
Total		\$29,179

Issues: The Supplemental Report of the 2001 Budget Act requires CALFED to submit the following two reports to the Legislature:

1. By December 15, 2001, the results of the CALFED Science Advisory Panel's review of the Environmental Water Account. The review shall include an evaluation of existing purchases to assure that the EWA does not undermine needed regulatory protections or result in significant degradation of natural resources in the area of origin.
2. By December 15, 2001, CALFED's efforts to provide "Tier3" water for the EWA, as described in the Record of Decision (ROD), should that water be required in future years.

The Budget Committee did not receive the reports at the time this analysis was prepared.

LAO Recommendation: The LAO believes the Legislature should "sign off" on the concept of the EWA and determine the appropriate state role in EWA, particularly in terms of funding. The LAO argues that water users should pay for at least some of the program's costs because they benefit from EWA to the extent that it makes water supplies more reliable. The LAO recommends the Legislature consider operational issues for the EWA, including governance, scientific review, and acquisition and use of water.

Since the EWA is a new and untested concept, the LAO recommends the Legislature obtain the following information to assess whether the program is working as intended and meeting its goals.

- The amount, source, and cost of water acquired for EWA.
- The movement and use of the acquired water.

- The impact of EWA on (1) endangered species protection and recovery and (2) preventing additional endangered species-related restrictions that would have otherwise resulted in reduced water deliveries from state and federal water projects.

The LAO recommends legislation to establish the EWA and to specify how the program will be governed, funded, operated, and held accountable to the Legislature. Until authorizing legislation is approved, the LAO recommends deleting the \$29.2 million for the EWA.

Administration's Response: The Administration argues that since the EWA is in its second year of operation, the budget proposals should be approved to allow for the continuing development and implementation of the program.

Staff Recommendation: The LAO raised similar issues with the program last year. Although the subcommittee shared many of the concerns raised by the analyst, the Legislature approved all EWA budget request to allow the program to move forward. Staff recommends the subcommittee withhold approval for the EWA proposal and the LAO recommendation until the Administration provides the supplemental reports to the Legislature.

Action:

Integrated Storage Investigations

Background: The Integrated Storage Investigations program (ISI) is designed to use groundwater and surface water storage to improve water supply reliability, provide water for the environment, provide flows to maintain water quality, and to protect levees through coordinated operation with existing flood control reserves. During Stage 1 of this program, CALFED will evaluate surface water and groundwater storage, identify acceptable project-specific locations, and initiate NEPA and CEQA documentation, permitting, and construction. The total volume of new or expanded surface water and groundwater storage in the Final Programmatic EIS/EIR is approximately 6 million acre/feet.

The budget proposes \$103.4 million for the ISI program, a decrease of \$12.7 million from the current-year budget.

(Dollars in thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$1,800
DWR	General Fund	\$11,440
	Prop 13	\$90,366
DFG	General Fund	\$449
Total		\$103,435

Issue: The budget proposes a \$300,000 reduction to the Fish Passage Improvement Program. As part of the ISI budget, the Fish Passage Improvement Program seeks to identify small dams and other barriers to improve spawning access for salmon and steelhead.

Staff Recommendation: They subcommittee may wish to consider directing staff to determine if

additional funds are available to offset the proposed \$300,000 reduction, or determine if existing funds can be redirected to offset the reduction.

Action:

Ecosystem Restoration

Background: The goal of the Ecosystem Restoration Program is to improve and increase aquatic and terrestrial habitats and improve ecological functions in the Bay-Delta system to support sustainable populations of diverse and valuable plant and animal species. The Ecosystem Restoration Program, along with the water management strategy, is designed to achieve or contribute to the recovery of listed species found in the Bay-Delta, and achieve the goals of the Multi-Species Conservation Strategy (MSCS).

The Ecosystem Restoration Program identifies programmatic actions designed to restore, rehabilitate, or maintain important ecological processes, habitats, and species within 14 ecological management zones. Implementation of these programmatic actions will be guided by six goals presented in the Strategic Plan for Ecosystem Restoration.

The budget proposes \$207.5 million for the Ecosystem Restoration Program, an increase of \$42.4 million from the current-year budget.

(Dollars in thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$764
	Prop 13	\$10,000
	Prop 40	\$10,000
Resources Agency	Prop 204	\$125,000
	Prop 40	10,000
DWR	General Fund	\$1,100
	Prop 204	\$1,513
	State Water Project	\$7,268
DFG	General Fund	\$1,900
WCB	Prop 40	\$30,000
Coastal Conservancy	Prop 40	\$10,000
Total		\$207,545

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Water Use Efficiency

Background: The Water Use Efficiency Program includes actions to provide efficient use of existing and new water supplies developed by the Program. The Water Use Efficiency Program will build on the work of the existing Agricultural Water Management Council and California Urban Water Conservation Council process, supporting and supplementing those processes through planning and technical assistance and through targeted financial incentives (both loans and grants). The Water Use Efficiency Program has identified potential recovery of currently irrecoverable water losses of over 1.4 million acre-feet of water annually by 2020. Early in Stage 1, CALFED will identify measurable goals and objectives for its urban and agricultural water conservation program, water reclamation programs and managed wetlands programs.

The budget proposes \$29.1 million for the Water Use Efficiency Program, a decrease of \$91.2 from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$1,391
DWR	General Fund	\$6,967
	Prop 13	\$16,375
	Misc. Sources	1,918
SWRCB	Prop 13	\$2,500
Total		\$29,151

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Water Transfers

Background: The Water Transfer Program proposes a framework of actions, policies, and processes that, collectively, will facilitate water transfers and the further development of a state-wide water transfer market. The framework also includes mechanisms to help provide protection from third party impacts. A transfers market can improve water availability for all types of uses, including the environment. Transfers can also help to match water demand with water sources of the appropriate quality, thus increasing the utility of water supplies.

The budget proposes \$808,000 for the Water Transfers Program. The current-year budget contains the same level of funding for the program.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$227
DWR	General Fund	\$437
SWRCB	General Fund	\$144
Total		\$808

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Watershed Program

Background: The goal of the CALFED Watershed Program is to promote locally led watershed management activities and protections that contribute to the achievement of CALFED goals for ecosystem restoration, water quality improvement, and water supply reliability. The Program will accomplish these tasks by providing financial and technical assistance to local community watershed programs.

The budget proposes \$35.3 million for the Watershed Program, an increase of \$17.6 million from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$2,228
	Prop 40	20,600
DWR	General Fund	\$1,652
DFG	General Fund	\$445
SWRCB	Prop 13	\$10,000
CDF	General Fund	\$374
Total		\$35,299

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Drinking Water Quality

Background: The Program is designed to achieve continuous improvement in the quality of the waters of the Bay-Delta system with the goal of minimizing ecological, drinking water and other water quality problems. Improvements in water quality will result in improved ecosystem health, with indirect improvements in water supply reliability. Improvements in water quality also increase the utility of water, making it suitable for more uses and reuses.

The budget proposes \$36.2 million for the Drinking Water Quality Program, an increase of \$20.5 million from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$3,313
	Prop 40	\$20,500
	Prop 13	\$2,070
DWR	General Fund	\$280
SWRCB	Prop 13	\$10,000
Total		\$36,163

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Delta Levees Program

Background: The focus of the Levee System Integrity Program is to improve levee stability to benefit all users of Delta water and land. Actions described in this program element protect water supply reliability by maintaining levee and channel integrity. Levee actions will be designed to provide simultaneous improvement in habitat quality (consistent with the Ecosystem Restoration Program goals), which will indirectly improve water supply reliability. Levee actions also protect water quality, particularly during low flow conditions when a catastrophic levee breach would draw salt water into the Delta.

The budget proposes \$8.7 million for the Levees Program, a decrease of \$5.1 million from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$558
DWR	General Fund	\$7,434
	State Water Project Funds	\$585
DFG	General Fund	\$38
SWRCB	Prop 13	\$124
Total		\$8,739

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Delta Conveyance

Background: The Delta Conveyance program seeks to identify and implement conveyance modifications that will improve water supply reliability for in-Delta and export users, support continuous improvement in drinking water quality, and complement ecosystem restoration. More specifically for export and environmental purposes, conveyance improvements are needed to improve the pumping capabilities of SWP export facilities to: (1) restore water project reliability and operational flexibility; (2) allow the EWA to transfer and store water; (3) allow a reliable water transfer market to function; (4) allow SWP facilities to convey larger amounts of water during periods of high quality water in the Delta to improve water quality for urban use; and (5) provide greater capability for SWP facilities to be used to improve the reliability of CVP supplies for both its water users and wildlife refuges. DWR, Reclamation and USACE will lead efforts to implement these conveyance projects. DWR and the Bureau of Reclamation will work with the other CALFED Agencies to pursue significant improvements in the water conveyance facilities in the Delta in Stage 1, which will be pursued through project-specific environmental review and permitting. The Preferred Program Alternative employs a through-Delta approach to conveyance. Modifications in the Delta conveyance will result in improved water supply reliability, protection and improvement of Delta water quality, improvements in ecosystem health, and reduced risk of supply disruption due to catastrophic breaching of Delta levees.

The budget proposes \$47.9 million for the Conveyance Program, a decrease of \$3.5 million from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$1,168
	Prop 13	\$1,300
DWR	General Fund	\$1,568
	Prop 13	\$18,574
	State Water Project	\$25,100
DFG	General Fund	\$162
Total		\$47,872

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Science Program

Background: This ROD establishes the CALFED Science Program, which will provide a science/research component to all elements of the program; including ecosystem restoration, water supply reliability, water use efficiency and conservation, water quality, and flood management (e.g., levee stability). Performance measures and indicators for each program element will track progress. The purpose of the CALFED Science Program is to provide a comprehensive framework and develop new information and scientific interpretations necessary to implement, monitor, and evaluate the success of the CALFED Program (including all program components), and to communicate to managers and the public the state of knowledge of issues critical to achieving CALFED goals. The Science Program will be

developed and directed by an interim lead scientist, who will also serve in the role of lead scientist during the initial years of program implementation.

The budget proposes \$14.2 million for the Science Program, an increase of \$700,000 from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$4,569
DWR	General Fund	\$261
	State Water Project	\$6,223
	Miscellaneous	598
DFG	General Fund	\$906
	Miscellaneous	\$1,666
Total		\$14,183

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Program Management

Background: The Program Management element is designed to provide oversight and coordination of the CALFED program.

The budget proposes \$6.9 million for Program Management, a decrease of \$200,000 from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$5,405
DWR	General Fund	\$243
DFG	General Fund	\$305
DOC	General Fund	\$96
SWRCB	General Fund	\$740
BCDC	General Fund	\$88
Total		\$6,877

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action: